

City of Glendale  
STATE OF THE TREASURY

# Investment Portfolio Review



As of June 30, 2011

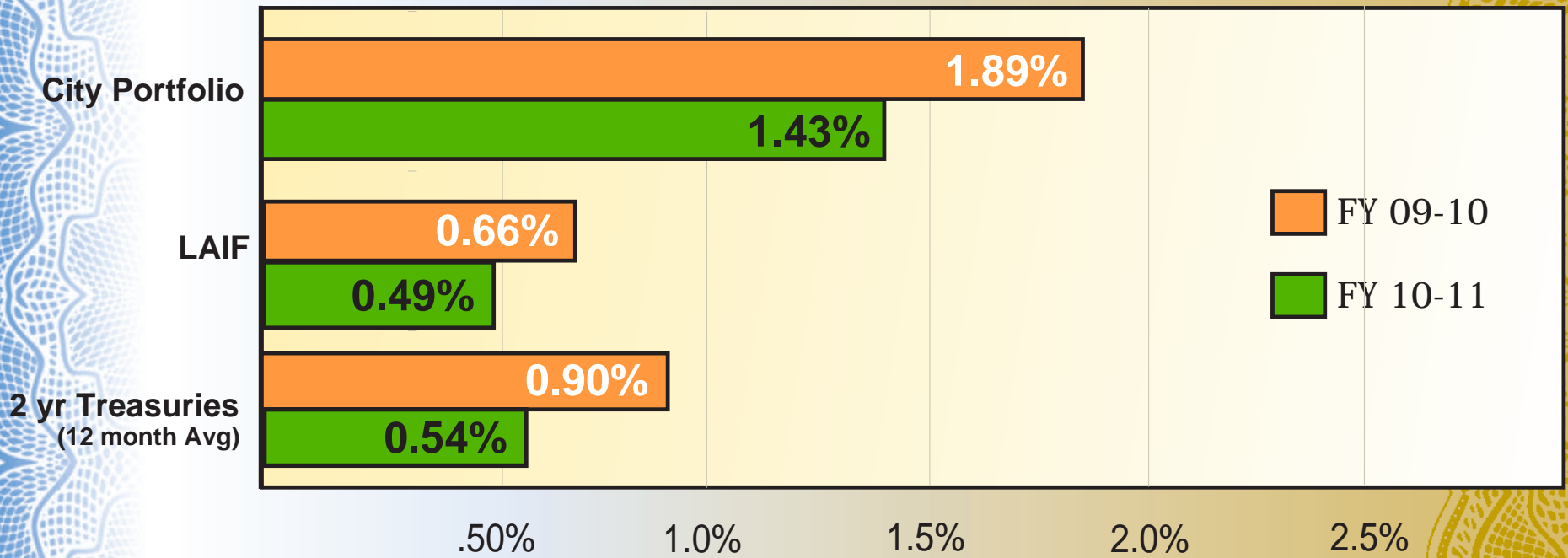
---

Ronald T. Brucki - City Treasurer

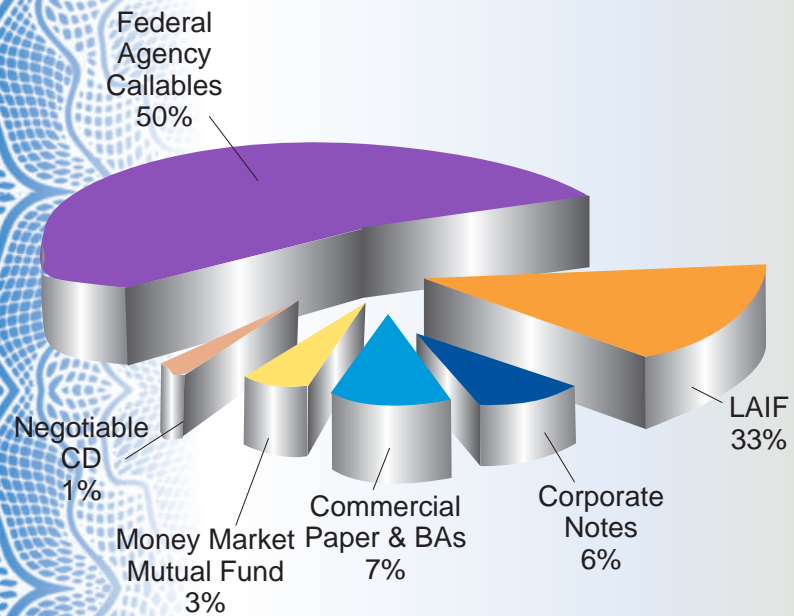
EXHIBIT A  
**Key Statistics**  
End of Year

	<u>June 2009</u>	<u>June 2010</u>	<u>June 2011</u>
Portfolio @ Par (\$ in millions)	\$483.4	\$448.1	\$409.2
Interest Earnings (\$ in millions)	\$12.4	\$8.5	\$5.8
Rate of Return	2.80%	1.89%	1.43%
Weighted Average Maturity (In Months)	18.2	18.8	22.5

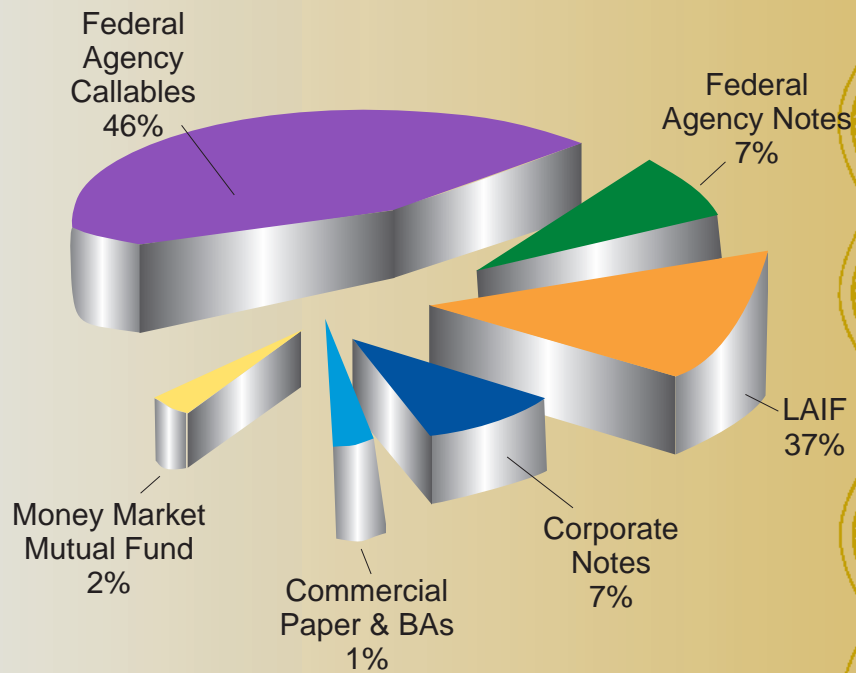
# EXHIBIT B Rate of Return Comparisons



## EXHIBIT C Asset Allocation City Portfolio

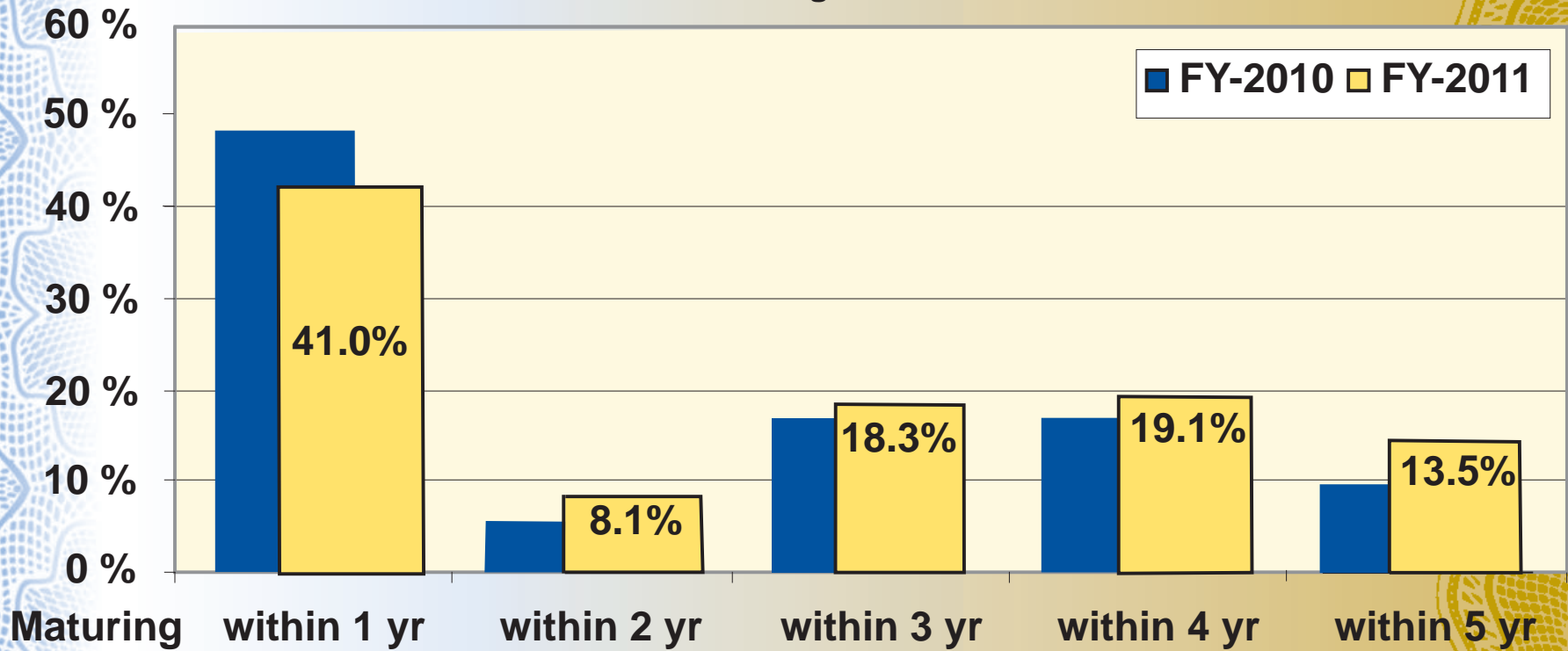


**JUNE 2010**  
**\$448.1 million**



**JUNE 2011**  
**\$409.2 million**

EXHIBIT D  
**Investment Maturities**  
Percentage of Portfolio



## EXHIBIT E

### Total Investments and Cash

(balances in 000's)

	June 30, 2010	June 30, 2011
<b>Investments</b>		
Portfolio @ Par	\$ 448,197	\$ 409,265
<b>Cash</b>		
Cash on Hand	\$ 4,327	\$ 7,931
<b>Total Investments &amp; Cash</b>	<u>\$ 452,524</u>	<u>\$ 417,196</u>

## EXHIBIT F

### Bond Proceeds

(balances in 000's)

	June 30, 2010	June 30, 2011
<b>GWP Bond Proceeds</b>		
GWP Electric Bonds Series 2008	\$ 353	\$ 0
GWP Water Bonds Series 2008	\$ 2,001	\$ 0
<b>GRA Bond Proceeds</b>		
GRA Tax Allocation Bond 2010	\$ 20,332	\$ 17,034
GRA Tax Allocation Bond 2011	\$ -	\$ 42,383

## Looking Back...

The year began with guarded optimism. For the past two years interest rates in our marketplace fell from historically low rates to historically lower rates. Would this third year be the one where the recovery catches fire, where people go back to work, where consumer spending picks up, and where interest rates finally turn around and start to rise? Nope, not this year. What we had was still one more year of falling rates to end the year with even newer historically low rates. Truly a difficult ending for a year that started with high hopes.

Once again the low rates in the marketplace affected the City Portfolio. The challenge throughout the year was to keep the portfolio rate of return at 1.50% or above. We came close, but no cigar. For the fiscal year the annual rate of return for the portfolio was 1.43%, down 46 basis points from the 1.89% of the previous year. Interest earnings for the fiscal year nudged over \$5.8 million for the year, down \$2.7 million from the \$8.5 million last year. The City Portfolio finished the fiscal year at \$409 million, down seven million dollars from last month, up \$10 million from last quarter, and down \$39 million from the \$448 million at the end of last year.

A quick look at the State Pool, the Local Agency Investment Fund (LAIF), shows that it too could not escape the pull of falling interest rates dropping throughout the year. LAIF saw its rate of return drop 17 basis points (.17 %) from 66 basis points (.66%) to average 49 basis points (.49%) for the year.

## Looking Forward...

It may come as no surprise that the economic recovery that started in June 2009 has been the second weakest recovery since World War II. Underscoring this weakness, the economy grew at a feeble 1.3% in the last fiscal quarter. Essentially the numbers are showing a stalled economy, with a growth rate unable to reduce the unemployment rate.

Simply put, Middle America is stagnating. It is getting squeezed with high unemployment and slow economic growth. Middle America needs more jobs which will boost spending and jumpstart economic growth. Consumer spending is critical because it accounts for 70% of economic activity in the country, and until spending starts to accelerate the nation will need to continue “muddling through”.

As for the City Portfolio, it will be another challenging year. There is no silver bullet; without interest rates moving higher we have the real prospect of having another year as the one we just finished. The sobering thought is that it could still be a very long time before interest rates increase enough to have much of a positive impact to our earnings picture. On a positive note, we are pleased to report that the portfolio is safe, sound, and very liquid. And we are poised to take advantage of buying opportunities when they present themselves.